

**REPORT OF THE AUDIT OF THE  
FORMER GREEN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
FORMER GREEN COUNTY SHERIFF**

**For The Year Ended  
December 31, 2010**

The Auditor of Public Accounts has completed the former Green County Sheriff's audit for the year ended December 31, 2010. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees decreased by \$787 from the prior year, resulting in excess fees of \$7,459 as of December 31, 2010. Revenues increased by \$35,960 from the prior year and expenditures increased by \$36,747.

**Report Comments:**

2010-01 The Former Sheriff's Office Lacked Adequate Segregation Of Duties  
2010-02 The Former Sheriff Should Have Deposited Funds Intact On A Daily Basis  
2010-03 The Former Sheriff Should Have Required Timesheets For All Employees

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Misty N. Edwards, Green County Judge/Executive  
The Honorable Robbie Beard, Green County Sheriff  
The Honorable Tim Stumph, Former Green County Sheriff  
Members of the Green County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former Sheriff of Green County, Kentucky, for the year ended December 31, 2010. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former Sheriff for the year ended December 31, 2010, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2011 on our consideration of the former Green County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Misty N. Edwards, Green County Judge/Executive  
The Honorable Robbie Beard, Green County Sheriff  
The Honorable Tim Stumph, Former Green County Sheriff  
Members of the Green County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

2010-01 The Former Sheriff's Office Lacked Adequate Segregation Of Duties  
2010-02 The Former Sheriff Should Have Deposited Funds Intact On A Daily Basis  
2010-03 The Former Sheriff Should Have Required Timesheets For All Employees

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Green County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

June 13, 2011



GREEN COUNTY  
TIM STUMPH, FORMER SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2010

Revenues

State Fees For Services:

Finance and Administration Cabinet	\$ 35,005	
Sheriff's Security Services (HB 452)	4,310	
Transport of Prisoners	<u>276</u>	\$ 39,591

Circuit Court Clerk:

Fines and Fees Collected	5,197
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Fiscal Court	2,641
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County Clerk - Delinquent Taxes	4,426
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Commission On Taxes Collected	134,333
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Fees Collected For Services:

Auto Inspections	1,890	
Accident and Police Reports	71	
Serving Papers	11,210	
Carrying Concealed Deadly Weapon Permits	2,245	
Transporting Adanta Patients	<u>6,421</u>	21,837

Other:

Green County Ordinance	3,580	
Tax Penalties and Add-On Fees	20,631	
Miscellaneous	<u>90</u>	24,301

Interest Earned	1,079
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Borrowed Money:

State Advancement	<u>35,000</u>
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Total Revenues	268,405
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The accompanying notes are an integral part of this financial statement.

GREEN COUNTY  
TIM STUMPH, FORMER SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2010  
(Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 78,602

Court Security Salaries 38,194

Other Salaries 1,248

Employee Benefits-

Employer's Share Social Security 1,501

Employer's Share Retirement 178

Materials and Supplies-

Office Materials and Supplies 3,584

Uniforms 2,729

Auto Expense-

Maintenance and Repairs 659

Other Charges-

Green County Ordinance 3,580

Postage 2,948

Transporting Prisoners/Patients 3,850

Advertising 155

Miscellaneous 2,724

Capital Outlay-

Equipment 9,890 \$ 149,842

Debt Service:

State Advancement 35,000

Total Expenditures \$ 184,842

Net Revenues 83,563

Less: Statutory Maximum 76,104

Excess Fees Due Fiscal Court for 2010 7,459

Payment Made to Fiscal Court - April 12, 2011 7,300

Balance Due Fiscal Court at Completion of Audit \$ 159

\*

\* Former Sheriff Made Final Payment to Fiscal Court on June 13, 2011.

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2010 services
- Reimbursements for 2010 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2010

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2010  
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Green County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The former Green County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GREEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2010  
(Continued)

Note 4. Drug Enforcement Account

The former Green County Sheriff maintained a Drug Enforcement Account. This account was funded by proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. Drug investigation funds are to be used for drug enforcement expenses of the former Sheriff's office and are kept separate from the former Sheriff's fee account. As of January 1, 2010, the balance was \$17,343. The former Sheriff's office received \$37 in interest and expended no funds. As of June 13, 2011, the balance was \$17,380. This account is due to be transferred to the incoming Sheriff.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Misty N. Edwards, Green County Judge/Executive  
The Honorable Robbie Beard, Green County Sheriff  
The Honorable Tim Stumph, Former Green County Sheriff  
Members of the Green County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Green County Sheriff for the year ended December 31, 2010, and have issued our report thereon dated June 13, 2011. The former Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Green County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2010-01 and 2010-02 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Green County Sheriff's financial statement for the year ended December 31, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2010-03.

This report is intended solely for the information and use of management, the Green County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

June 13, 2011

## COMMENTS AND RECOMMENDATIONS



GREEN COUNTY  
TIM STUMPH, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2010

INTERNAL CONTROL – MATERIAL WEAKNESSES:

2010-01 The Former Sheriff's Office Lacked Adequate Segregation Of Duties

The former Sheriff's office had a lack of segregation of duties over receipts and disbursements. The former Sheriff posted all items to the receipts and disbursements ledgers, prepared and made deposits, prepared and signed all checks, performed monthly bank reconciliations, and prepared the financial statements. No oversight was performed over any of these functions.

Adequate segregation of duties would prevent the same person from having a significant role in the receiving, processing, recording, and reporting of receipts and disbursements. If these duties could not be segregated due to limited staff or limited budget, then strong oversight should have been provided to the employee responsible for these duties. This oversight would not be effective over these duties performed by the former Sheriff.

*Former Sheriff's Response: No response.*

2010-02 The Former Sheriff Should Have Deposited Funds Intact On A Daily Basis

During our review of receipts, we noted the former Sheriff did not batch daily receipts and make daily deposits. During the test of daily checkout sheets, we noted the June 15, 2010 deposit included receipts for the period June 8, 2010 through June 14, 2010. The former Sheriff stated that he does not make daily deposits if there is not at least \$500 to deposit. Auditor noted that on June 8, 2010, the former Sheriff had a total \$7,700 of cash and checks in collections.

KRS 68.210 states the State Local Finance Officer "shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials." The *Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual*, under "Handling Public Funds," states a minimum requirement of "Daily deposits intact into a federally insured banking institution." The former Sheriff should have batched receipts and deposited these receipts intact on a daily basis.

*Former Sheriff's Response: No response.*

STATE LAWS AND REGULATIONS:

2010-03 The Former Sheriff Should Have Required Timesheets For All Employees

During our review of payroll, we noted that no timesheets were prepared for all employees of the former Sheriff's office for calendar year 2010. KRS 337.320 (1) states, "Every employer shall keep a record of: (a) the amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee; and (c) such information as the secretary requires." The former Sheriff should have required timesheets for all employees to ensure compliance with this statute.

*Former Sheriff's Response: No response.*

